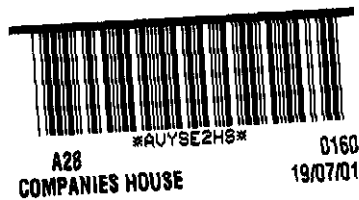


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**REPORT OF THE DIRECTOR AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2000
FOR
CALLAN METHOD ORGANISATION LIMITED**



CALLAN METHOD ORGANISATION LIMITED

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CALLAN METHOD ORGANISATION LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31ST DECEMBER 2000

DIRECTOR:

Mr R K Callan

SECRETARY:

Mr T P Hinton

REGISTERED OFFICE:

Orchard House
45 Mill Way
Grantchester
Cambridge
CB3 9ND

REGISTERED NUMBER:

1479886 (England and Wales)

AUDITORS:

The Paris Partnership
Chartered Accountants
and Registered Auditors
Premier House
112 Station Road
Edgware
Middx HA8 7BJ

CALLAN METHOD ORGANISATION LIMITED

REPORT OF THE DIRECTOR FOR THE YEAR ENDED 31ST DECEMBER 2000

The director presents his report with the financial statements of the company for the year ended 31st December 2000.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of an English language school using the Callan Method of teaching.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2000.

DIRECTOR

Mr R K Callan was the sole director during the year under review.

His beneficial interest in the issued share capital of the company was as follows:

	31.12.00	1.1.00
Ordinary £1.00 shares	19,999	19,999

CHARITABLE DONATIONS

The company made charitable donations amounting to £460 during the year.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, The Paris Partnership, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Mr T P Hinton - SECRETARY

Dated: 26 6 01

CALLAN METHOD ORGANISATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF CALLAN METHOD ORGANISATION LIMITED

We have audited the financial statements of Callan Method Organisation Limited for the year ended 31st December 2000 on pages four to ten. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of director and auditors

As described on page two the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Director is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the Report of the Director and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The Paris Partnership
Chartered Accountants
and Registered Auditors
Premier House
112 Station Road
Edgware
Middx HA8 7BJ

Dated: 26/6/01

CALLAN METHOD ORGANISATION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2000

		2000	1999
	Notes	£	£
TURNOVER		2,967,271	2,878,449
Cost of sales		1,815,094	1,929,991
GROSS PROFIT		1,152,177	948,458
Administrative expenses		935,587	918,735
		216,590	29,723
Other operating income	2	9,200	11,227
OPERATING PROFIT	4	225,790	40,950
Interest receivable and similar income		1,645	272
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		227,435	41,222
Tax on profit on ordinary activities	5	53,292	8,302
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		174,143	32,920
Deficit brought forward		(255,635)	(288,555)
DEFICIT CARRIED FORWARD		£(81,492)	£(255,635)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

CALLAN METHOD ORGANISATION LIMITED

BALANCE SHEET

31ST DECEMBER 2000

	Notes	2000		1999	
		£	£	£	£
FIXED ASSETS:					
Tangible assets	6		16,042		19,804
CURRENT ASSETS:					
Stocks	7	48,270		108,804	
Debtors	8	300,627		350,560	
Cash at bank and in hand		87,679		35,738	
		436,576		495,102	
CREDITORS: Amounts falling due within one year	9	514,110		750,541	
NET CURRENT LIABILITIES:			(77,534)		(255,439)
TOTAL ASSETS LESS CURRENT LIABILITIES:			£(61,492)		£(235,635)
CAPITAL AND RESERVES:					
Called up share capital	10		20,000		20,000
Profit and loss account			(81,492)		(255,635)
SHAREHOLDERS' FUNDS:	13		£(61,492)		£(235,635)

ON BEHALF OF THE BOARD:

Mr R K Callan - DIRECTOR

Approved by the Board on



26/6/01

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2000

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

Turnover

Turnover represents amounts receivable for goods and services provided, excluding value added tax and trade discounts. At the year end, all receipts in respect of goods and services not yet provided are reflected as deferred income.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold property	- over the term of the lease
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33% on cost

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the director, there is reasonable probability that the liability will not arise in the foreseeable future.

Going concern

The director believes the going concern basis to be the most appropriate for preparation of these financial statements because included in creditors are deferred cash sales of £322,895 for services the company supplied subsequent to the year end.

2. OTHER OPERATING INCOME

	2000	1999
	£	£
Rents received	9,200	11,227

3. STAFF COSTS

	2000	1999
	£	£
Wages and salaries	1,463,692	1,675,329
Social security costs	104,178	125,141
	<u>1,567,870</u>	<u>1,800,470</u>

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2000

3. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

	2000	1999
Management	5	5
Administration	120	150
	<u>125</u>	<u>155</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2000 £	1999 £
Hire of plant and machinery	799	866
Operating leases - premises	468,454	454,171
Depreciation - owned assets	12,177	14,723
Auditors' remuneration	7,500	5,653
	<u>-</u>	<u>-</u>
Director's emoluments	-	-

5. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	2000 £	1999 £
UK corporation tax	53,929	8,302
Under/(over) provisions	(637)	-
	<u>53,292</u>	<u>8,302</u>

UK corporation tax has been charged at 30% (1999 - 20%).

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2000

6. TANGIBLE FIXED ASSETS

	Leasehold property	Fixtures and fittings	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
COST:					
At 1st January 2000	67,304	123,100	34,078	51,713	276,195
Additions	-	2,180	-	6,234	8,414
At 31st December 2000	67,304	125,280	34,078	57,947	284,609
DEPRECIATION:					
At 1st January 2000	67,304	109,205	34,078	45,803	256,390
Charge for year	-	8,770	-	3,407	12,177
At 31st December 2000	67,304	117,975	34,078	49,210	268,567
NET BOOK VALUE:					
At 31st December 2000	-	7,305	-	8,737	16,042
At 31st December 1999	-	13,895	-	5,909	19,804

7. STOCKS

	2000 £	1999 £
Stock - Books	41,858	91,844
Stock - Tapes	6,412	16,960
	48,270	108,804

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Trade debtors	20,226	10,226
Other debtors	152,826	74,750
Prepayments & accrued income	127,575	241,823
Corporation tax refundable	-	23,761
	300,627	350,560

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2000

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£	£
Trade creditors	22,514	220,225
Other creditors	-	600
Social security & other taxes	42,646	59,304
Taxation	53,929	8,302
Accruals and deferred income	395,021	462,110
	<u>514,110</u>	<u>750,541</u>

10. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2000	1999
			£	£
50,000	Ordinary	£1.00	<u>50,000</u>	<u>50,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2000	1999
			£	£
20,000	Ordinary	£1.00	<u>20,000</u>	<u>20,000</u>

11. OTHER FINANCIAL COMMITMENTS

At 31 December 2000 the company had annual commitments under non-cancellable operating leases which expire between two and five years of £63,744 (1999: £63,744) and for leases expiring after five years of £387,750 (1999: £387,750).

12. TRANSACTIONS WITH DIRECTOR

The company was under the control of Mr R K T Callan, the sole director and majority shareholder, throughout the current and previous year. His interests in the company are disclosed in the Director's Report.

The company's head office is situated at Orchard House, Grantchester, Cambridge, a property owned by Mr Callan. The company pays a rent for this facility of £15,000 per annum which is considered by the director to represent a commercial rate.

The company also traded at arms-length with Orchard Publishing Company Ltd, a company beneficially owned and controlled by Mr R K T Callan. In the year under review the company purchased educational books, tapes and marketing literature from Orchard Publishing Company Ltd amounting to £126,461 (1999: £230,892). Additionally, payments made to Orchard Publishing Company Ltd in respect of consultancy fees were £76,396 (1999: £76,396). The balance owed to Orchard Publishing Company Ltd at the balance sheet date was £7,197 (1999: £147,545).

CALLAN METHOD ORGANISATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2000

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000	1999
	£	£
Profit for the financial year	174,143	32,920
Net addition to shareholders' funds	174,143	32,920
Opening shareholders' funds	(235,635)	(268,555)
Closing shareholders' funds	(61,492)	(235,635)
Equity interests	(61,492)	(235,635)